

UNITED STATES DEPARTMENT OF AGRICULTURE

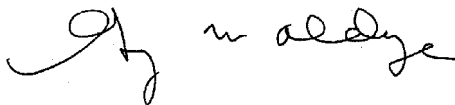
Farm Service Agency
Washington, DC 20250

Notice FI-2347

For: State and County Offices

**1998 Calendar Yearend Reminder Related to
Farm Loan Program Payment Activity**

Approved by: Deputy Administrator, Management



1 Overview

A

Purpose

This notice provides:

- critical dates related to the yearend processing of FLP payment activity
- processing information for all calendar yearend reports and statements mailed to the servicing offices and to the FLP borrowers.

Note: No other information pertaining to FLP calendar yearend will be provided.

B

Contact

State Offices shall direct questions about this notice to St. Louis/KCMO Finance Office (SLKCFO), Loan Operations Division (LOD), Program Reporting Branch (PRB) at 314-539-2494.

Disposal Date

December 1, 1999

Distribution

State Offices; State Offices relay to County Offices

Notice FI-2347

2 SLKCFO Action

A

Suspending Transactions

As of **COB December 30, 1998**, the ability to process the following transactions on the Automated Discrepancy Processing System (ADPS) will be suspended:

- Transaction Code (TC) 4A, Change in Case Number and Loan Number
- TC 4D, Change in Case Number, Name, and Address
- TC 4F, Change in Loan Number
- TC 4G, Assumption Agreement - Same Rates and Terms.

SLKCFO will resume processing these transactions effective **January 12, 1999**. Look for daily screen messages on ADPS.

B

Preparing FmHA 1951-9

By **January 31, 1999**, SLKCFO will prepare and mail FmHA 1951-9 to all FLP borrowers and servicing offices according to Exhibit 1.

C

FLP Payments Enter on System/36

By **December 31, 1998**, State and County Offices that use the System 36 Cash Receipts Application shall transmit all FLP payments recorded with December 1998 dates of credit to KCMO. These payments will be included on FmHA 1951-9 for calendar year 1998.

Note: See Notice FI-2341 for instructions on how to process FLP payments to the Cash Receipts Application.

D

FLP Payments Mailed to the Wholesale Lockbox

By **January 5, 1999**, the wholesale lockbox payments must be received for all FLP payments which are to be included on FmHA 1951-9 for calendar year 1998. Payment data with 1998 dates of credit which are not received by the **January 5, 1999**, cutoff date will be recorded on next year's statements.

E

Maturing of Accounts

During the week of **January 18, 1999**, the maturing of the January 1, 1999, installments for annual payment borrowers will take place. The Account Information (AI) status screen accrued as of the date of the 4M maturing transaction and the online history screen may be used for documentation.

Continued on the next page

3 SLKCFO Action (Continued)

F Availability of Terminals

Transactions entered through terminals will be available according to the following table.

Date	Transaction
January 2 (6 a.m. - 3:15 p.m. c.t.), January 3 (8 a.m. - 3 p.m. c.t.), January 4 through 8, 1999 (6 a.m. to 6 p.m. c.t.), January 9 (6 a.m.- 12 p.m. c.t.)	Provides additional time for initial transaction entry and discrepancy correction before preparing the annual statements.
January 11, 1999	No update to the Program Loan Accounting System is scheduled for the evening of January 11, 1999. Transactions recorded through the terminals on January 11 will be scheduled for update on the evening of January 12, 1999.

G Acquisitions or Abandonment

State and County Offices shall use FmHA 1992-6 as a substitute for IRS-1099-A. The FLP borrower receives one copy and the other copy must be received by SLKCFO no later than **January 5, 1999**. The SLKCFO copy is used to create the tape which reports the IRS-1099-A data to IRS in February 1999. It is critical that all spaces on FmHA 1992-6 be completed. Any incomplete forms will not be included and will be returned to the servicing office for correction.

By **January 31, 1999**, IRS-1099-A will be mailed to FLP borrowers whose secured property was acquired during calendar year 1998. See Exhibit 2.

H Debt Cancellation

By **January 31, 1999**, IRS-1099-C will be mailed to FLP borrowers. See Exhibit 2.

Continued on the next page

3 SLKCFO Action (Continued)

I

Grants

Beginning with the 1998 tax year, **all** grant recipients will receive IRS-1099-G. By **January 31, 1999**, IRS-1099-G will be mailed to grant recipients with valid addresses recorded on PLAS. IRS-1099-G, generated with invalid addresses, will be mailed to the appropriate servicing office to distribute immediately to the grant recipients. See Exhibit 2.

J

Default Charges and Credits

Loans dated before July 1, 1973, are subject to default charges. If a loan subject to these charges is delinquent on January 1, 1999, and remains delinquent on April 1, 1999, it will be analyzed to determine if default charges should be established. A printout of the online history screen reflecting the 3C and 1R transactions, along with the AI status screen accrued as of the effective date of the 3C/1R transaction, may be used for documentation. If a final payment is to be collected on a loan of this type between April 1, 1999, and the date the default is processed to the account, contact the appropriate loan servicing team in SLKCFO to determine the unpaid loan balances.

K

Corrections

Corrections to initial calendar yearend IRS reporting will be issued after the first quarter in 1999. The servicing offices will receive a listing of all borrowers who have corrected IRS-1098, IRS-1099-A, or IRS-1099-C issued to IRS and to the debtor. See Exhibit 2.

FmHA 1951-9

A**Introduction**

SLKCFO will prepare FmHA 1951-9 for calendar year 1998. FmHA 1951-9's are produced in 2 segments, a borrower's segment and the servicing office segment. Both segments have 2 copies. The segments are distributed as follows.

- 2 white copies of FmHA 1951-9 are printed for the borrower's segment. One white copy is sent directly to the borrower, and the other white copy is sent to the servicing office for filing in the borrower's folder.
- One white and one green copy of FmHA 1951-9 are printed for the servicing office segment. The servicing office segment contains FmHA 1951-9 for borrowers with the special conditions shown in subparagraph C. Both copies are sent to the servicing office for review and distribution of the white copy to the borrower, when appropriate. The green copy shall be filed in the borrower's folder.

Note: Any borrower's FmHA 1951-9 that is returned to SLKCFO as undeliverable will be mailed to the servicing office or State Office for address correction and distribution to the borrower.

Continued on the next page

FmHA 1951-9 (Continued)**B****Explanation of
FmHA 1951-9
Items**

The following table provides an explanation of selected items on FmHA 1951-9.

Item	Explanation
Total Loan Payments	Total cash payments applied to interest and principal for each FLP loan during calendar year 1998. This amount does not include noncash applications or payments for 1998 processed after January 9, 1999.
Total Paid on All Loans This Year	Total cash payments applied to interest and principal for all FLP loans during calendar year 1998. This amount does not include noncash applications or payments for 1998 processed after January 9, 1999.
Loan Activity	Total loan activity processed during calendar year 1998.
Loan Balance	Unpaid interest and principal balances as of December 31, 1998. Unpaid interest includes the unpaid interest on advances, noncapitalized interest, deferred interest, deferred noncapitalized interest, and installment set-aside interest. Unpaid principal includes any balance due on advances by FSA, as well as any installment set-aside principal, and 1 percent insurance charge, if applicable.
Minimum Amount Due	The loan's payment status plus the next scheduled installment amount.
Due Date	The date of the next installment due.
Payment Status	The amount the loan is ahead or behind schedule as of December 31, 1998.
Interest Paid	This field is highlighted on the form and is the amount of cash payments applied for prior years and for 1998. The amount may be negative for certain loans that have payments reversed from the account.

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FmHA 1951-9(Continued)

B
Explanation of
FmHA 1951-9
Items
(Continued)

Item	Explanation
Taxes Paid	This includes all taxes paid by FSA and charged to the borrower's account.
Borrower Activity	The total activity for all loans.
Borrower Balance	This is total unpaid interest and principal balances for all loans as of December 31, 1998.
Mortgage Interest	<p>The mortgage interest paid amount, reported to IRS on IRS-1098 will be provided to all individual-type borrowers for each loan secured by real estate that had interest payments applied to the account during the calendar year. The interest paid amount only reflects payments applied to the account with 1998 dates of credit. The Refund of Overpaid Interest field reflects a refund or credit of a prior year(s) overpayment of interest (the amount of interest reported in a prior year(s) that was reversed off the account during calendar year 1998).</p> <p>Any transactions processed after January 9, 1999, affecting the 1998 interest amount, could result in a corrected IRS-1098. Changes to the amount(s) previously reported for calendar year 1997 and 1996 may also result in a correction. The corrected IRS-1098 may require the borrower to file an amended tax return. If borrowers request assistance for filing their tax returns, advise them to contact a tax consultant.</p>

Note: Cash advances dated January 1999 may appear on the annual statement because of the multiple advance features of the loan disbursement system.

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FmHA 1951-9 (Continued)

C**Review of
FmHA 1951-9**

After receiving the green and white copy of FmHA 1951-9, servicing offices will review FmHA 1951-9's that reflect the following conditions:

- writeoffs
- acquired property
- judgment
- foreclosure action pending
- court action pending
- bankruptcy action pending
- subject to approved adjustment
- collection only
- under 1951-S servicing (1951-S) special disaster installment set-aside (1951-T)
- no address available on our files.

Note: Mail the white copy of FmHA 1951-9 to the borrower, if appropriate, after reviewing each case.

IRS Forms

Servicing offices will receive lists of FLP borrowers reported on the following IRS forms for the year ending December 31, 1998.

Note: SLKCFO will report this information to IRS and to the borrower.

IRS Form	Explanation
IRS-1099-A	<p>Will be provided to IRS for FLP borrowers whose secured property was acquired as a full or partial satisfaction of their debt during calendar year 1998 and borrowers reported on FmHA 1992-6 during calendar year 1998. Servicing offices will receive a listing identifying each borrower and the unpaid principal and market value reported to IRS.</p>
IRS-1099-C	<p>Will be provided for each loan that had a discharged debt through a writeoff, shared appreciation write-down, net recovery buyout, or writeoff of a lease account during calendar year 1998. Writeoffs processed with a class writeoff code of 5 (chargeoff - borrower not released from liability) are not reported to IRS. The total amount of debt canceled in 1998 will be reported on IRS-1099-C. The amount includes:</p> <ul style="list-style-type: none"> • principal discharged from the note and advance • interest discharged from the note and advance • noncapitalized interest • deferred interest • deferred noncapitalized interest. <p>Servicing offices will receive the field office listings of IRS-1099-C for reporting year 1998, which identifies each borrower and the amount of discharged debt reported to IRS.</p>
IRS-1099-G	<p>Will be provided to all recipients of grant funds during calendar year 1998. Grant disbursements with 1998 check dates will be reported. Servicing offices will receive a listing which identifies each grant recipient and the amount disbursed reported to IRS.</p>

Corrections

All activity processed after January 9, 1999, affecting amounts initially reported to IRS, could result in the generation of corrected IRS-1099-A, IRS-1099-C, or IRS-1099-G forms. The corrected IRS form may require the borrower to file an amended tax return. If borrowers request assistance in filing their return, please advise them to contact a tax consultant.
